# ALL ABOUT BUDGETS

## Youthentity

#### What is a budget?

- A budget is a plan for saving and spending money.
- Budgets help to prioritize spending and saving for things you need and want.
- The goal of a budget is to provide financial freedom rather than restrictions.

## Why budget?

By using a budget, you are the boss of your money. You control your money, telling it where to go and what to do.

Without a budget, you may begin to run out of money. In that case, money controls you.

## **How to budget:**

The next six steps will walk you through the basics of budgeting.

You'll likely be surprised at how easy it is and how much peace of mind you'll have when you finish your budgeting plan.

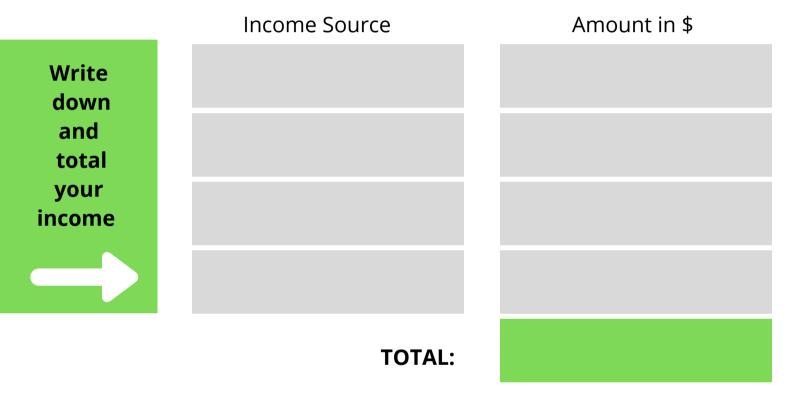
Let's get started!



#### Step 1: Calculate your income.

The amount you save and spend depends on how much money you earn. Grab your most recent paystub or pull up a bank statement to see how much money was directly deposited into your account. The amount you write into your budget is based on your **net income**, or earnings after taxes. This will be the amount that was on your paycheck or directly deposited into your account.

If you have multiple jobs or income sources, add them all together. If your household has more than one earner, add both incomes. If you get paid more than once a month, add all of your paychecks for the month.



## Step 2: List your expenses.

To have a successful budget, you need to account for each regular expense, from your rent or mortgage to daily vending machine snacks. Some expenses will change from month to month; it helps to review bank or credit card statements and write down everything you can think of that you've spent money on recently as well as upcoming expenses. This includes all loan payments including credit cards. For now, jot down everything you can think of or see on your bank statements. We will categorize and total your expenses later.

## List all of your expenses and the amount of each on the next page

#### My expenses:





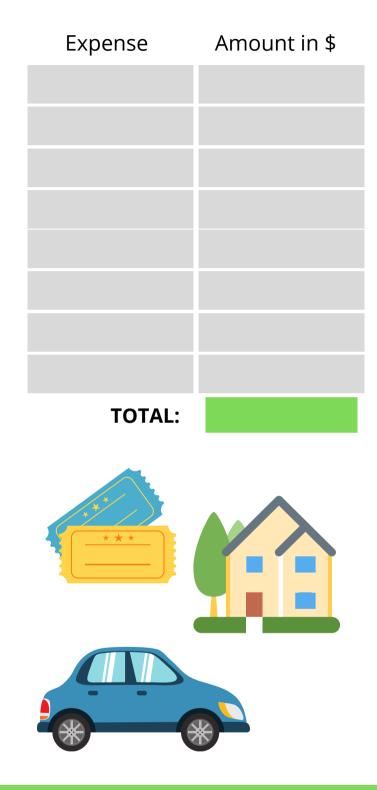
## Step 3: Separate needs from wants.

Review all of your expenses in the chart above. Star or circle each one that is a want instead of a need.

Ask yourself, "Will my family be able to survive without this?"

If the answer is "yes," then it is a want.

If the answer is "no," it is a need.



On the next page, we'll identify your savings goals, whether you're saving for a big purchase or starting an emergency fund.

### Step 4: Identify savings goals.



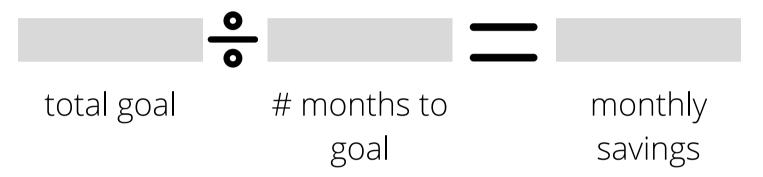
It is important to save as much as you can afford each month.

If you are planning for a big purchase soon, you can start saving now.

If you don't have any current savings goals, your new goal is to build up an **emergency fund**. This is money you have available if something goes wrong such as losing a job or having a car break down.

Even if you can only afford to save \$5 a month, start saving it now. Your future self will thank you!

Let's figure out how much to save toward a goal each month using the formula below.



- First figure out your savings goal amount. If you are saving for the first time, try to start by saving \$500 for an emergency. Write that amount in the "Total Goal" box.
- Next, determine how soon you need to meet that goal. Write down the number of months you have left to save in the "# Months to Goal" box.
- Divide "Total Goal" by "# of Months to Goal" to calculate your "Monthly Savings". Repeat the formula if you have multiple savings goals.







## Step 5: Make a budget and categorize spending.



As we go, write down your answers next to the appropriate line in the budget chart on the following page.

First, write down your total income from Step 1 in the right column next to "Total Net Income." Remember to add all income sources if your family receives multiple monthly paychecks.

Next, add the "Monthly Savings" amounts from all goals from Step 4 and write the total in the right column next to "Savings."

Go back to Step 2 and begin writing your expenses into each budget category. Add the amounts together and write the totals in the right column next to the appropriate category. If you have expenses that don't fit the categories listed, add them to the Miscellaneous line.

Here are a few examples:

- If you have a \$300 car loan payment, \$100 car insurance premium, and spend \$200 on gas, you would write \$600 next to Transportation.
- If you have a \$500 health insurance premium and a monthly prescription that costs you \$20, write down \$520 next to health care.











It is important to "pay yourself first," or save money before you spend it.

If you wait until all expenses are paid, you are more likely to spend the money you planned to save.

Once all categories are filled in, go to the "Total Expenses" line. Add up all expenses and write in the total.

Now subtract "Total Expenses" from "Total Net Income." Write the result next to "Remaining Funds." **Now you're ready for the final Step 6**.

## monthly budget



Monthly income and expense sources	Amount in \$
Total Net Income	
Savings	
Housing (rent or mortgage and insurance)	
Transportation (car costs or bus pass)	
Food (groceries and restaurants)	
Utilities (electricity, water, internet)	
Healthcare (health insurance, prescriptions)	
Child Care (day care, babysitting)	
Personal Care (toiletries, haircuts, clothes)	
Tuition or Student Loan Payment	
Personal Loan and Credit Card Payments	
Phone Plan	
Cable/Music/Entertainment Subscriptions	
Recreation (gym membership, ski pass)	
Entertainment (events, movie and concert tickets)	
Pets (pet food, prescriptions, toys)	
Miscellaneous (hobbies, one-time expenses)	

## Now let's calculate your savings!



<b>Total Expenses</b>	(add all	expenses)
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Remaining Funds
(Total Net Income – Total Expenses)

## Step 6: Review, revise, repeat.

Look at the "Remaining Funds" box - is it a positive or negative amount? If it is positive, you can add those funds to your monthly savings - you are successfully spending less than you earn.

Continue to sit down and budget every month. After a few months of budgeting on paper, consider utilizing other resources such as the Mint or Nerd Wallet apps to automate your budget.

If you have a negative amount remaining, you are spending more than you earn. Not to worry - you can still revise your budget. You will have to make some decisions and prioritize what is most important to you and your family:

- Start by going back to Step 2. Look at the expenses you starred or circled that represent wants.
- Determine whether you can eliminate or reduce any of those expenses and revise those figures in the budget chart until your total expenses are less than your income.
- For example, if you have a recurring gym membership but haven't been to the gym in three months, you could cancel your membership. If you've been spending more on food than you thought, could you dine out less often or buy fewer snacks?
- If you spend significantly more than you earn, you may have to make hard choices about your needs. Trading a car for an older model or moving to a more affordable home are tough decisions that will affect your lifestyle today, but can ultimately improve your finances and benefit you in the long run.

The objective of a budget is not to count every single penny, but to be mindful and intentional in spending and saving. Prioritize needs over wants and look for opportunities to reduce spending wherever you can. Budgeting monthly will ensure you are the boss of your money and your future.

## monthly budget



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Youthentity is a Carbondale-based youth development nonprofit, serving over 3,500 students in grades 5-12 in five counties throughout Colorado's Western Slope.

Youthentity educates young people in the areas of financial literacy and career readiness, providing tools and experiential learning opportunities.



Find more information and financial resources at Youthentity.org